



NEWS RELEASE

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SBA URGES CREATIVITY, FLEXIBILITY IN DEALING WITH FUEL OIL DEALERS' CREDIT NEEDS

Existing Loan Programs Can Relieve Cash Flow Problems

WASHINGTON – The U.S. Small Business Administration (SBA) is urging its lending partners across the country to use SBA credit programs to help financially strapped fuel and heating oil dealers get through a cash flow crisis brought on by high oil prices, Administrator Aida Alvarez announced today.

“There is a severe problem in some areas, and SBA’s existing mix of loan products under its general business loan guaranty program are flexible enough to deal with this problem,” said Administrator Alvarez. “The short-term revolving loan programs we have, including SBAExpress, may be especially suitable for helping these small businesses get through this temporary crisis.

“Right now, our biggest task is to make sure these companies know about what we can do for them,” she added.

Administrator Alvarez is asking SBA field offices – there are 70 spread across the country and at least one in every state – to conduct an aggressive outreach campaign to make sure that fuel oil dealers, lenders and other SBA partners are aware of the problem and aware of the solutions that can be found in SBA-backed loans and technical assistance.

The industry’s cash flow problem developed over the past few weeks when the price of fuel oil rose dramatically at the same time as many areas around the country were hit by temperatures much lower than those usually experienced in the winter season.

In the fuel oil industry, dealers typically pay for wholesale purchases at the time they receive them, or shortly afterward. Generally, they do not receive payment for deliveries to their customers until some time after delivery. When prices and demand are stable, dealers can manage cash flow so that is not a problem.

But when demand increases sharply and they have to buy more fuel oil at sharply higher prices before they can sell that fuel oil to their customers, the cash flow problem threatens the viability of their businesses.

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Existing SBA programs like SBAExpress and the revolving credit lines feature available under CAPLines allow SBA to provide guarantees on short-term working capital loans under favorable terms.

“This can be a win-win situation for the fuel oil dealers and for our lending partners that want to assist their customers in the fuel oil industry,” Administrator Alvarez said. “And these loans should not be difficult to process and approve because they will essentially be self-liquidating. That is, they will be repaid relatively automatically as the dealers receive payments from their customers.”

For more information on all of SBA’s programs for small businesses, call the SBA Answer Desk at 1-800-U-ASK-SBA, or visit the SBA’s extensive website at www.sba.gov.

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